

Ms. Carol Kroboth, Director of Reimbursement  
HP Operations Group, Inc.  
950 Northpoint Parkway  
Suite 100  
Alpharetta, Georgia 30005-4134

Re: AC# 3-HPW-E8 – HP Operations Group, Inc. d/b/a Hopewell Health Care Center

Dear Ms. Kroboth:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period December 1, 1997 through May 31, 1998. That report was used to set the rate covering the contract periods beginning December 1, 1997.

We are recommending that the Department of Health and Human Services certify an accounts payable for amounts underpaid as a result of the rate changes shown on Exhibit A. You will be notified of settlement terms by that agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Robert M. Kerr

**HP OPERATIONS GROUP, INC. D/B/A  
HOPEWELL HEALTH CARE CENTER**

**SUMTER, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING DECEMBER 1, 1997  
AC# 3-HPW-E8**

**REPORT ON CONTRACT**

**FOR**

**PURCHASE OF NURSING CARE SERVICES**

**WITH**

**STATE OF SOUTH CAROLINA**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

March 17, 2000

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with HP Operations Group, Inc. d/b/a Hopewell Health Care Center, for the contract periods beginning December 1, 1997, and for the six month cost report period ended May 31, 1998, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by HP Operations Group, Inc. d/b/a Hopewell Health Care Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summaries of Costs and Total Patient Days, and Cost of Capital Reimbursement Analyses sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and HP Operations Group, Inc. d/b/a Hopewell Health Care Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
March 17, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor

**HOPEWELL HEALTH CARE CENTER**  
Computation of Rate Change  
For the Contract Periods  
Beginning December 1, 1997  
AC# 3-HPW-E8

	<u>12/01/97- 05/31/98</u>	<u>06/01/98- 09/30/98</u>	<u>10/01/98- 11/30/98</u>	<u>12/01/98- 03/31/99</u>	<u>04/01/99- 09/30/99</u>
Adjusted reimbursement rate	\$73.96	\$76.85	\$77.58	\$78.33	\$78.33
Interim reimbursement rate (1)	<u>72.70</u>	<u>75.53</u>	<u>76.27</u>	<u>77.02</u>	<u>77.02</u>
Increase in reimbursement rate	\$ <u>1.26</u>	\$ <u>1.32</u>	\$ <u>1.31</u>	\$ <u>1.31</u>	\$ <u>1.31</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999

**HOPEWELL HEALTH CARE CENTER**  
Computation of Adjusted Reimbursement Rate  
For the Contract Periods December 1, 1997 Through May 31, 1998  
AC# 3-HPW-E8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$31.96	\$38.67	
Dietary		8.12	9.74	
Laundry/Housekeeping/Maint.		<u>8.16</u>	<u>7.72</u>	
Subtotal	\$ <u>3.93</u>	48.24	56.13	\$48.24
Administration & Med. Rec.	\$ <u>-</u>	<u>11.91</u>	<u>9.45</u>	<u>9.45</u>
Subtotal		60.15	<u>\$65.58</u>	57.69
<u>Costs Not Subject to Standards:</u>				
Utilities		1.91		1.91
Special Services		.32		.32
Medical Supplies & Oxygen		4.78		4.78
Taxes and Insurance		.99		.99
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$68.15</u>		65.69
Inflation Factor (N/A)				-
Cost of Capital				7.53
Cost of Capital Limitation				(1.51)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				3.93
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.18)
Minimum Wage Add-On				<u>.50</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$73.96</u>

**HOPEWELL HEALTH CARE CENTER**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period June 1, 1998 Through September 30, 1998  
AC# 3-HPW-E8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$31.96	\$38.67	
Dietary		8.12	9.74	
Laundry/Housekeeping/Maint.		<u>8.16</u>	<u>7.72</u>	
Subtotal	\$ <u>3.93</u>	48.24	56.13	\$48.24
Administration & Med. Rec.	\$ <u>-</u>	<u>11.91</u>	<u>9.45</u>	<u>9.45</u>
Subtotal		60.15	<u>\$65.58</u>	57.69
<u>Costs Not Subject to Standards:</u>				
Utilities		1.91		1.91
Special Services		.32		.32
Medical Supplies & Oxygen		4.78		4.78
Taxes and Insurance		.99		.99
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$68.15</u>		65.69
Inflation Factor (4.40%)				2.89
Cost of Capital				7.53
Cost of Capital Limitation				(1.51)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				3.93
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.18)
Minimum Wage Add-On				<u>.50</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$76.85</u>



**HOPEWELL HEALTH CARE CENTER**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 1998 Through November 30, 1998  
AC# 3-HPW-E8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$31.96	\$40.14	
Dietary		8.12	9.93	
Laundry/Housekeeping/Maint.		<u>8.16</u>	<u>8.11</u>	
Subtotal	\$ <u>4.07</u>	48.24	58.18	\$48.24
Administration & Med. Rec.	\$ <u>-</u>	<u>11.91</u>	<u>10.90</u>	<u>10.90</u>
Subtotal		60.15	<u>\$69.08</u>	59.14
<u>Costs Not Subject to Standards:</u>				
Utilities		1.91		1.91
Special Services		.32		.32
Medical Supplies & Oxygen		4.78		4.78
Taxes and Insurance		.99		.99
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$68.15</u>		67.14
Inflation Factor (3.60%)				2.42
Cost of Capital				7.46
Cost of Capital Limitation				(1.44)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.07
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.32)
Minimum Wage Add-On				<u>.25</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$77.58</u>

**HOPEWELL HEALTH CARE CENTER**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period December 1, 1998 Through March 31, 1999  
AC# 3-HPW-E8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$31.96	\$40.14	
Dietary		8.12	9.93	
Laundry/Housekeeping/Maint.		<u>8.16</u>	<u>8.11</u>	
Subtotal	\$ <u>4.07</u>	48.24	58.18	\$48.24
Administration & Med. Rec.	\$ <u>-</u>	<u>11.91</u>	<u>10.90</u>	<u>10.90</u>
Subtotal		60.15	<u>\$69.08</u>	59.14
<u>Costs Not Subject to Standards:</u>				
Utilities		1.91		1.91
Special Services		.32		.32
Medical Supplies & Oxygen		4.78		4.78
Taxes and Insurance		.99		.99
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$68.15</u>		67.14
Inflation Factor (3.60%)				2.42
Cost of Capital				7.46
Cost of Capital Limitation				(1.44)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.07
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.32)
Minimum Wage Add-On				<u>1.00</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$78.33</u>

**HOPEWELL HEALTH CARE CENTER**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period April 1, 1999 Through September 30, 1999  
AC# 3-HPW-E8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$31.96	\$43.39	
Dietary		8.12	9.93	
Laundry/Housekeeping/Maint.		<u>8.16</u>	<u>8.11</u>	
Subtotal	\$ <u>4.30</u>	48.24	61.43	\$48.24
Administration & Med. Rec.	\$ <u>-</u>	<u>11.91</u>	<u>10.90</u>	<u>10.90</u>
Subtotal		60.15	<u>\$72.33</u>	59.14
<u>Costs Not Subject to Standards:</u>				
Utilities		1.91		1.91
Special Services		.32		.32
Medical Supplies & Oxygen		4.78		4.78
Taxes and Insurance		.99		.99
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$68.15</u>		67.14
Inflation Factor (3.60%)				2.42
Cost of Capital				7.46
Cost of Capital Limitation				(1.44)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.30
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.55)
Minimum Wage Add-On				<u>1.00</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$78.33</u>

**HOPEWELL HEALTH CARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended May 31, 1998  
For the Contract Periods December 1, 1997 Through September 30, 1998  
AC# 3-HPW-E8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$ 523,965	\$18,413 (3) 2,898 (3)	\$ 3,232 (4) 353 (4)	\$ 541,691
Dietary	134,664	3,398 (3)	498 (4)	137,564
Laundry	35,869	-	100 (4)	35,769
Housekeeping	64,078	-	213 (4)	63,865
Maintenance	37,939	952 (3)	128 (4) 80 (5)	38,683
Administration & Medical Records	217,715	1,208 (3) 1,084 (3)	3,584 (2) 225 (4) 126 (4) 14,155 (5)	201,917
Utilities	32,439	-	3 (5)	32,436
Special Services	5,414	-	-	5,414
Medical Supplies & Oxygen	80,451	590 (3)	60 (4)	80,981
Taxes & Insurance	16,843	-	139 (5)	16,704
Legal Fees	-	-	-	-

# HOPEWELL HEALTH CARE CENTER

Summary of Costs and Total Patient Days  
For the Cost Report Period Ended May 31, 1998  
For the Contract Periods December 1, 1997 Through September 30, 1998  
AC# 3-HPW-E8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	122,455	14,669 (6)	8,898 (1)	127,695
			<u>531 (5)</u>	
Subtotal	1,271,832	43,212	32,325	1,282,719
Ancillary	-	-	-	-
Non-Allowable	82,053	8,898 (1)	14,669 (6)	99,709
		3,584 (2)		
		4,935 (4)		
		<u>14,908 (5)</u>		
Total Operating Expenses	<u>\$1,353,885</u>	<u>\$75,537</u>	<u>\$46,994</u>	<u>\$1,382,428</u>
Total Patient Days	<u>16,948</u>	<u>-</u>	<u>-</u>	<u>16,948</u>

TOTAL BEDS 96

**HOPEWELL HEALTH CARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended May 31, 1998  
For the Contract Periods October 1, 1998 Through September 30, 1999  
AC# 3-HPW-E8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$ 523,965	\$18,413 (3) 2,898 (3)	\$ 3,232 (4) 353 (4)	\$ 541,691
Dietary	134,664	3,398 (3)	498 (4)	137,564
Laundry	35,869	-	100 (4)	35,769
Housekeeping	64,078	-	213 (4)	63,865
Maintenance	37,939	952 (3)	128 (4) 80 (5)	38,683
Administration & Medical Records	217,715	1,208 (3) 1,084 (3)	3,584 (2) 225 (4) 126 (4) 14,155 (5)	201,917
Utilities	32,439	-	3 (5)	32,436
Special Services	5,414	-	-	5,414
Medical Supplies & Oxygen	80,451	590 (3)	60 (4)	80,981
Taxes & Insurance	16,843	-	139 (5)	16,704
Legal Fees	-	-	-	-

**HOPEWELL HEALTH CARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended May 31, 1998  
For the Contract Periods October 1, 1998 Through September 30, 1999  
AC# 3-HPW-E8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	122,090	13,806 (7)	8,898 (1)	126,467
			<u>531 (5)</u>	
Subtotal	1,271,467	42,349	32,325	1,281,491
Ancillary	-	-	-	-
Non-Allowable	82,418	8,898 (1)	13,806 (7)	100,937
		3,584 (2)		
		4,935 (4)		
		<u>14,908 (5)</u>		
Total Operating Expenses	<u>\$1,353,885</u>	<u>\$74,674</u>	<u>\$46,131</u>	<u>\$1,382,428</u>
Total Patient Days	<u>16,948</u>	<u>-</u>	<u>-</u>	<u>16,948</u>

TOTAL BEDS 96

**HOPEWELL HEALTH CARE CENTER**  
Adjustment Report  
For the Cost Report Period Ended May 31, 1998  
AC# 3-HPW-E8

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$196,613	
	Fixed Assets	77,171	
	Nonallowable	8,898	
	Other Equity		\$273,784
	Cost of Capital - Depreciation Expense		8,898
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 100		
	State Plan, Attachment 4.19D		
2	Nonallowable	3,584	
	Administration		3,584
	To adjust working capital interest expense		
	HIM-15-1, Section 218		
3	Nursing	18,413	
	Restorative	2,898	
	Dietary	3,398	
	Maintenance	952	
	Administration	1,208	
	Medical Records	1,084	
	Medical Supplies	590	
	Accrued Vacation		28,543
	To adjust vacation accrual		
	HIM-15-1, Section 2144		
4	Nonallowable	4,935	
	Nursing		3,232
	Restorative		353
	Dietary		498
	Laundry		100
	Housekeeping		213
	Maintenance		128
	Administration		225
	Medical Records		126
	Medical Supplies		60
	To adjust payroll taxes		
	HIM-15-1, Section 2304		



**HOPEWELL HEALTH CARE CENTER**  
Adjustment Report  
For the Cost Report Period Ended May 31, 1998  
AC# 3-HPW-E8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable	14,908	
	Maintenance		80
	Administration		14,155
	Utilities		3
	Taxes and Insurance		139
	Cost of Capital		531
	To adjust home office cost allocation HIM-15-1, Sections 2150 and 2304 State Plan, Attachment 4.19D		
6	Cost of Capital	14,669	
	Nonallowable		14,669
	To adjust capital return State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 12/1/97 - 9/30/98)		
7	Cost of Capital	13,806	
	Nonallowable		13,806
	To adjust capital return State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 10/1/98 - 9/30/99)		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$363,127</u>	<u>\$363,127</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**HOPEWELL HEALTH CARE CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended May 31, 1998  
For the Contract Periods December 1, 1997 Through September 30, 1998  
AC# 3-HPW-E8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1144</u>
Deemed Asset Value (Per Bed)	33,022
Number of Beds	<u>96</u>
Deemed Asset Value	3,170,112
Improvements Since 1981	546,594
Accumulated Depreciation at 5/31/98	<u>(653,870)</u>
Deemed Depreciated Value	3,062,836
Market Rate of Return	<u>.070</u>
Total Annual Return	<u>214,399</u>
Adjust for Cost Report Period 6 Months	107,200
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	107,200
Depreciation Expense	20,129
Amortization Expense	366
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	127,695
Total Patient Days (Minimum 97% Occupancy)	<u>16,948</u>
Cost of Capital Per Diem	<u><u>\$ 7.53</u></u>

**HOPEWELL HEALTH CARE CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended May 31, 1998  
For the Contract Periods December 1, 1997 Through September 30, 1998  
AC# 3-HPW-E8

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 2.03
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>6.02</u>
Reimbursable Cost of Capital Per Diem	\$ 6.02
Cost of Capital Per Diem	<u>7.53</u>
Cost of Capital Per Diem Limitation	\$ ( <u>1.51</u> )

**HOPEWELL HEALTH CARE CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended May 31, 1998  
 For the Contract Periods October 1, 1998 Through September 30, 1999  
 AC# 3-HPW-E8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1814</u>
Deemed Asset Value (Per Bed)	34,069
Number of Beds	<u>96</u>
Deemed Asset Value	3,270,624
Improvements Since 1981	546,594
Accumulated Depreciation at 5/31/98	<u>(653,870)</u>
Deemed Depreciated Value	3,163,348
Market Rate of Return	<u>.067</u>
Total Annual Return	<u>211,944</u>
Adjust for Cost Report Period 6 Months	105,972
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	105,972
Depreciation Expense	20,129
Amortization Expense	366
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	126,467
Total Patient Days (Minimum 97% Occupancy)	<u>16,948</u>
Cost of Capital Per Diem	\$ <u><u>7.46</u></u>

**HOPEWELL HEALTH CARE CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended May 31, 1998  
For the Contract Periods October 1, 1998 Through September 30, 1999  
AC# 3-HPW-E8

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 2.03
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>6.02</u>
Reimbursable Cost of Capital Per Diem	\$ 6.02
Cost of Capital Per Diem	<u>7.46</u>
Cost of Capital Per Diem Limitation	\$ ( <u>1.44</u> )